

Minneapolis Community Development Agency

Request for City Council Action

Date: October 28, 2002

To: Council Member Lisa Goodman, Community Development Committee
Council Member Scott Benson, Inter-Governmental Relations Committee

Prepared by Keith Ford, Deputy Executive Director (612-673-5013)

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Approval of state legislation permitting the extension of the Lewis Nut & Bolt Economic Development TIF district (Southeast Minneapolis Industrial area redevelopment area phase 4 tax increment financing district – District # 78, Mod #2) in SEMI.

Previous Directives: The City Council previously approved the Lewis Nut & Bolt project.

Ward: 2

Neighborhood Group Notification: N/A

Consistency with *Building a City That Works*: N/A

Comprehensive Plan Compliance: N/A

Zoning Code Compliance: N/A

Impact on MCDA Budget: (Check those that apply)

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain): restores developer payment as originally contemplated

Living Wage / Business Subsidy: N/A

Job Linkage: N/A

Affirmative Action Compliance: N/A

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council approve the legislation (Session Laws 2002, Chapter 377, Article 7, Section 10).

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Background/Supporting Information

The 2002 Minnesota Legislative Session approved language (Chapter 377, Article 7, Section 10) permitting the MCDA to extend the TIF district associated with the Lewis Nut and Bolt project for a maximum of six years. This language requires the approval of the Minneapolis City Council and is effective upon approval by the City Council, Hennepin County and Independent School District #1, pursuant to Minnesota Statutes 469.1782, sub. 2 and 645.021. This report requests that approval. If all three bodies grant approval, MCDA staff likely will request actions putting into effect the relief contemplated by this special law.

This project involved a property whose owner (Lewis Nut and Bolt Co.) had left the state and tax-forfeited the property, abandoning one of the worst pollution sites seen in years. Redevelopment involved acquisition from Hennepin County, removal of toxic wastes, remediation, and construction of a light industrial building. Property tax changes enacted in 2001 adversely affected the Lewis Nut and Bolt project tax increment. This increment was committed to repaying a \$1 million tax increment note issued for the public costs of the project. While the district was not unique in being hurt by the tax changes, it was unusual in that an economic development TIF district funded the redevelopment project. Typically, such projects would have been eligible for redevelopment TIF districts that permit up to 25 years of tax increment recapture. Economic Development districts permit only 10 years. Consequently, this project did not have additional years that could provide a "cushion" to make up for the lost increment.

This argument, along with the clear public benefit of removal of an abandoned hazardous waste in the middle of a major industrial redevelopment area, appears to have convinced the Legislature to provide for an additional six years to pay off the original tax increment note. It is important to note that the principal amount to be reimbursed to the developer is NOT changed. What is changed is the length of the district to enable it to pay off the TIF note.

A copy of the enabling legislation is attached in an appendix.

Appendix: language of Session Laws 2002, Chapter 377, Article 7, Sec. 10

Sec. 10. [CITY OF MINNEAPOLIS TAX INCREMENT DISTRICT; DURATION

EXTENSION.] (a) Upon approval of the city council of the city of Minneapolis, the Minneapolis community development agency may, with respect to the southeast Minneapolis industrial area redevelopment area phase 4 tax increment financing district, notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, extend the duration of the district for a period of up to six years.

(b) The amount of additional increment which may be paid to the district as a result of this section may not exceed: (1) the increment that would have been collected if the class rate changes and elimination of the state-determined general education property tax levy had not been made under Laws 2001, First Special Session chapter 5, for the term of the district under general law and if the provisions of section 4 did not apply, less (2) the actual increments collected for the term of the district under general law.

(c) Notwithstanding any law to the contrary, effective upon approval of this section, no increments may be spent on activities located outside of the area of the district, other than to pay administrative expenses.

(d) Upon payment in full of the Minneapolis community development agency amended and restated tax increment revenue note, in the original face amount of \$1,000,000, issued December 4, 1997, the district terminates and the authority granted under this section terminates.

(e) This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.